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October 5, 2017

**REDACTED – FOR PUBLIC INSPECTION** **ACCEPTED/FILED**

Marlene H. Dortch, Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, S.W.  
Washington, D.C. 20554

OCT - 5 2017

Federal Communications Commission  
Office of the Secretary

Re: **Applications to Transfer Control of Tribune Media Company to Sinclair Broadcasting Group, Inc., MB Docket No. 17-179 (“Applications”)**

Dear Ms. Dortch,

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Sinclair Broadcast Group, Inc. (“Sinclair”) hereby provides this response (the “Response”) to the letter dated September 14, 2017 from Michelle Carey, Chief of the Media Bureau of the Federal Communications Commission (the “FCC” or the “Commission”), and the Request for Information attached thereto (the “Request”).

In accordance with the *Protective Order*<sup>1</sup> in the above captioned proceeding, Sinclair is simultaneously submitting a Highly Confidential version of this filing under seal and a public, redacted version. Sinclair has denoted with {{Begin HCI  
END HCI}} information it deems to be Highly Confidential Information pursuant to the *Protective Order*. The inadvertent inclusion of any material that is subject to an assertion of the attorney-client, attorney-work product, or other applicable privilege is not intended as a waiver of such privilege. Terms not otherwise defined in the attached response shall have the definitions given to them in the Request.

Respectfully,

Miles S. Mason

Attachments

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<sup>1</sup> *Tribune Media Company (Transferor) and Sinclair Broadcast Group, Inc. (Transferee) Consolidated Applications for Consent to Transfer Control, Protective Order, MB Docket No. 17-179, DA 17-678 (July 14, 2017) (“Protective Order”).*

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Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

In the Matter of )  
)  
Tribune Media Company )  
(Transferor) )  
)  
and )  
)  
Sinclair Broadcast Group, Inc. )  
(Transferee) )  
)  
Consolidated Applications for Consent to )  
Transfer Control )

MB Docket No. 17-179

**ACCEPTED/FILED**

**OCT - 5 2017**

**Federal Communications Commission  
Office of the Secretary**

**RESPONSES OF SINCLAIR BROADCAST GROUP, INC.**  
**TO FCC REQUEST FOR INFORMATION**

1. **Request:** *Describe in detail and provide documents that support and demonstrate Sinclair's current national audience reach and the specific calculations and methodology used to determine both that figure as well as the Post-Transaction 45.5 percent national audience reach.*

Sinclair's current national audience reach is 24.7%. Sinclair calculates national audience reach in accordance with Section 73.3555(e)(2) of the Commission's rules, by attributing 50 percent of the television households in those DMA markets in which Sinclair currently holds licenses for UHF station(s) only, and attributing 100 percent of the television households in all DMA markets in which Sinclair is licensee of a VHF station.<sup>2</sup>

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<sup>2</sup> 47 C.F.R. § 73.3555(e)(2) ("National audience reach means the total number of television households in the [DMAs] in which the relevant stations are located divided by the total national television households as measured by DMA data at the time of a grant, transfer, or assignment of a license. For purposes of making this calculation, UHF television stations shall be attributed with 50 percent of the television households in their DMA market.").

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Attached as Exhibit 1 is a chart detailing each full-power television station in which Sinclair currently has an attributable interest, along with the corresponding percentage of U.S. television households for each station's Designated Market Area ("DMA"), as determined by Nielsen's 2017-2018 Local Television Market Universe Estimates.

Attached as Exhibit 2 is a chart detailing the full-power stations in which either Sinclair or Tribune has an attributable interest, and the corresponding percentage of U.S. television households for each station's DMA.

2. **Request:** *Describe in detail and provide documents that support your description of what specific steps the Applicants have taken and/or what specific steps they plan to take to comply with the national ownership limit, including a complete list of stations that would be divested to comply with 47 C.F.R. § 73.3555(e) and any attempts to market those stations, including, but not limited to, contacts with station brokers and/or potential buyers, any plans to request permission to place stations in divestiture trusts, and/or any plans to seek a waiver(s) of 47 C.F.R. § 73.3555(e).*

Under current rules Sinclair would need to divest licenses in at least two markets to comply with the FCC's national ownership limit; however, as of this date it has not identified specific divestitures. In July, Sinclair engaged Moelis & Company ("Moelis") to assist and provide advice on potential station sales. Moelis has contacted a substantial number of potential buyers, consisting of both broadcasters and financial investor/management teams, many of which have signed non-disclosure agreements and have accessed the data room and/or submitted preliminary information requests. The outcomes of negotiations with potential buyers could impact the license divestitures Sinclair would make. Also, as disclosed in the

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Applicants' Consolidated Opposition to Petitions to Deny,<sup>3</sup> the Transaction is currently under review by the Department of Justice, Antitrust Division ("DOJ"), which may require Sinclair to divest licenses in markets for reasons unrelated to the FCC's rules. Sinclair is responding on a rolling basis to a second request for information from the DOJ, as is customary in transactions such as the Transaction, and has entered into an agreement with the DOJ pursuant to which Sinclair anticipates that the DOJ will complete its review before year end. Divestitures that may be required by the DOJ could impact what actions Sinclair might take to comply with the national ownership cap. Additionally, as set forth in the Opposition and the Applications, any license divestitures may be impacted by the rulemaking proceeding to evaluate Section 73.3555(e) of the Commission's Rules that the Commission has indicated it intends to initiate later this year. For all of these reasons, it is premature at this point for Sinclair to know what specific steps will be required to comply with Section 73.3555(e), including what specific license divestitures it will need to make. Sinclair does not currently have any plans to request permission to place stations in divestiture trusts or to seek a waiver of 47 C.F.R. § 73.3555(e) in order to comply with the national ownership limit, though that could change depending on the resolution of the factors discussed above.

3. **Request:** *For each Non-Compliant Overlap Market, provide a detailed showing with supporting documents listing the Top Four stations as measured by Nielsen Research Service or any comparable ratings service; and a detailed showing with supporting documents of the full-power commercial and non-commercial television broadcast stations in each Non-Compliant Overlap*

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<sup>3</sup> *Tribune Media Company (Transferor) and Sinclair Broadcast Group, Inc. (Transferee) Consolidated Applications for Consent to Transfer Control, Applicants' Consolidated Opposition to Petitions to Deny, MB Docket No. 17-179 (filed Aug. 22, 2017) ("Opposition") at 22.*

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*Market, including a showing listing the current independently owned and operating, full-power, commercial and noncommercial TV stations and a showing listing the independently owned and operating, full power, commercial and non-commercial TV stations that would remain Post-Transaction. In each Non-Compliant Overlap Market, specify if any of the noise-limited contours of the listed stations do not overlap the noise-limited contours of the Applicants' stations.*

Below is a summary of each Non-Compliant Overlap Market detailing where Sinclair and/or Tribune own a Top Four station. Documents attached at Exhibit 3 list the independently owned and operating full-power commercial and noncommercial TV stations that currently exist in each market and how many would remain Post-Transaction.

### **1. Seattle-Tacoma, Washington:**

In this market, a subsidiary of Sinclair is the licensee of television stations KOMO-TV, Seattle, Washington and KUNS-TV, Bellevue, Washington. A subsidiary of Tribune is the licensee of stations KCPQ, Tacoma, Washington and KZJO, Seattle, Washington. Both KOMO-TV and KCPQ are currently Top Four stations in the market. As detailed in Exhibit 3, absent divestiture to a third party that does not currently own a station in the market, there will remain eleven independently owned and operating full-power commercial and noncommercial TV stations in the market Post-Transaction.

### **2. St. Louis, Missouri:**

In this market, a subsidiary of Sinclair is the licensee of KDNL-TV, St. Louis, Missouri. A subsidiary of Tribune is the licensee of stations KPRL-TV, St. Louis, Missouri and KTVI, St. Louis, Missouri. Both KDNL-TV and KTVI are currently Top Four stations in the market. As detailed in Exhibit 3, absent divestiture to a third party that does not currently own a station in the market, there will remain seven

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independently owned and operating full-power commercial and noncommercial TV stations in the market Post-Transaction.

### **3. Salt Lake City, Utah:**

In this market, a subsidiary of Sinclair is the licensee of KUTV, Salt Lake City, Utah and KJZZ-TV, Salt Lake City, Utah, and KMYU, St. George, Utah. A subsidiary of Tribune is the licensee of station KSTU, Salt Lake City, Utah. Both KUTV and KSTU are currently Top Four stations in the market. The noise limited contour of KMYU does not overlap the noise limited contours of KUTV, KJZZ-TV, or KSTU.<sup>4</sup> See Exhibit 4. As detailed in Exhibit 3, absent divestiture to third party that does not currently own a station in the market, there will remain thirteen independently owned and operating full-power commercial and noncommercial TV stations in the market Post-Transaction.

### **4. Oklahoma City, Oklahoma:**

In this market, a subsidiary of Sinclair is the licensee of KOKH-TV, Oklahoma City, Oklahoma and KOCB, Oklahoma City, Oklahoma. A subsidiary of Tribune is the licensee of station KFOR-TV, Oklahoma City, Oklahoma and KAUT-TV, Oklahoma City, Oklahoma. KOKH-TV and KFOR-TV are currently Top Four stations in the market. As detailed in Exhibit 3, absent divestiture to a third party that does not currently own a station in the market, there will remain eight independently owned and operating full-power commercial and noncommercial TV stations in the market Post-Transaction.

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<sup>4</sup> We note that a subsidiary of Sinclair currently has a non-attributable Joint Sales Agreement and a Shared Services Agreement with Ruby Mountain Broadcasting, LLC with respect to television station KENV-DT, Elko, NV, copies of which are attached hereto in response to Request 10 at Exhibit 6.

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**5. Greensboro-High Point-Winston Salem, North Carolina:**

In this market, a subsidiary of Sinclair is the licensee of WXLV-TV, Winston Salem, North Carolina and WMYV, Greensboro, North Carolina. A subsidiary of Tribune is the licensee of WGHP, High Point, North Carolina. Both WXLV-TV and WGHP are currently Top Four stations in the market. As detailed in Exhibit 3, absent divestiture to a third party that does not currently own a station in the market, there will remain seven independently owned and operating full-power commercial and noncommercial TV stations in the market Post-Transaction.

**6. Grand Rapids-Kalamazoo-Battle Creek, Michigan:**

In this market, a subsidiary of Sinclair is the licensee of WWMT, Kalamazoo, Michigan. A subsidiary of Tribune is the licensee of WXMI, Grand Rapids, Michigan. Both WWMT and WXMI are currently Top Four stations in the market. As detailed in Exhibit 3, absent divestiture to a third party that does not currently own a station in the market, there will remain seven independently owned and operating full-power commercial and noncommercial TV stations in the market Post-Transaction.

**7. Harrisburg-Lancaster-Lebanon-York, Pennsylvania:**

In this market, a subsidiary of Sinclair is the licensee of WHP-TV, Harrisburg, Pennsylvania. A subsidiary of Tribune is the licensee of WPMT, York, Pennsylvania. Both WHP-TV and WPMT are currently Top Four stations in the market. As detailed in Exhibit 3, absent divestiture to a third party that does not currently own a station in the market, there will remain six independently owned and operating full-power commercial and noncommercial TV stations in the market Post-Transaction.

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**8. Richmond-Petersburg, Virginia:**

In this market, a subsidiary of Sinclair is the licensee of WRLH-TV, Richmond, Virginia. A subsidiary of Tribune is the licensee of WTVR-TV, Richmond, Virginia. Both WRLH-TV and WTVR-TV are currently Top Four stations in the market. As detailed in Exhibit 3, absent divestiture to a third party that does not currently own a station in the market, there will remain five independently owned and operating full-power commercial and noncommercial TV stations in the market Post-Transaction.

**9. Des Moines-Ames, Iowa:**

In this market, a subsidiary of Sinclair is the licensee of KDSM-TV, Des Moines, Iowa. A subsidiary of Tribune is the licensee of WHO-DT, Des Moines, Iowa. Both KDSM-TV and WHO-DT are currently Top Four stations in the market. As detailed in Exhibit 3, absent divestiture to a third party that does not currently own a station in the market, there will remain six independently owned and operating full-power commercial and noncommercial TV stations in the market Post-Transaction.

**10. Portland, Oregon:**

In this market, a subsidiary of Sinclair is the licensee of KATU, Portland, Oregon and KUNP, La Grande, Oregon. A subsidiary of Tribune is the licensee of KRCW-TV. The noise limited contour of KUNP does not overlap the noise limited contours of KATU or KRCW. See Exhibit 5. KATU is currently a Top Four station in the market. As detailed in Exhibit 3, absent divestiture to a third party that does not currently own a station in the market, there will remain seven independently owned and operating full-power commercial and noncommercial TV stations in the market Post-Transaction.



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4. **Request:** *Describe in detail and provide documents that support and demonstrate what steps, if any, the Applicants have taken or plan to take to comply with the local television ownership rules, including a complete list of stations that would be divested to comply with 47 C.F.R. § 73.3555(b) and any attempts to market those stations, including but not limited to, contacts with station brokers and/or potential buyers, any plans to request permission to place stations in divestiture trusts, and/or any plans to seek a waiver(s) of 47 C.F.R. § 73.3555(b).*

As stated in the Opposition and the Applications, Sinclair intends to undertake license divestitures as necessary to comply with the Commission's Rules, and as noted above, Moelis has already engaged numerous potential buyers. Further, as noted above, the Transaction is currently under review by the DOJ, which may require divestitures for reasons unrelated to the FCC's rules. Additionally, as set forth in the Applications, any divestitures may be impacted by the Commission's review of pending petitions for reconsideration of the FCC's ownership rules.<sup>5</sup> Accordingly, it is premature at this point for Sinclair to know what specific steps it will take to comply with 47 C.F.R. § 73.3555(b). Sinclair does not currently have any plans to request permission to place stations in divestiture trusts or to seek a waiver of 47 C.F.R. § 73.3555(b), though that could change depending on the resolution of the factors discussed above.

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<sup>5</sup> Trade press has suggested that the Commission may act on these petitions later this year. See, e.g., Todd Shields and Lucas Shaw, *TV Station M&A May Quicken with U.S. Poised to Ease Rules*, Bloomberg (July 20, 2017), <https://www.bloomberg.com/news/articles/2017-07-20/local-tv-station-ownership-rules-said-set-for-easing-by-u-s-fcc>; see also John Eggerton, *Sources: Pai Teeing up Media Ownership Order*, Broadcasting & Cable (Aug. 11, 2017), <http://www.broadcastingcable.com/news/washington/sources-pai-teeing-media-ownership-order/167846>.

5. **Request:** *Describe in detail, quantify, and provide documents that support and demonstrate the operational efficiencies and economies of scale that would result from the Transaction that would not be achieved absent the Transaction.*

The Transaction will enable Sinclair to achieve efficiencies company-wide.

Some of the most significant operational efficiencies are detailed below:

*First*, Sinclair anticipates realizing approximately {{BEGIN HCI  
END HCI}} in corporate overhead synergies over the first two years after it acquires Tribune. Approximately {{BEGIN HCI  
END HCI}} of the savings will result from the elimination of duplicative higher level corporate positions immediately after the Transaction closes, and the remainder from the elimination of redundant facilities, outside vendors, and other non-labor savings. Sinclair does not plan to make any immediate changes with respect to station-level staffing until it has learned more about the Tribune stations' operations and is able to properly evaluate each station's growth potential and related needs. By lowering redundant operating expenses, Sinclair will be able to use those savings to diversify program offerings and compete more effectively for spot advertising with other local broadcast stations, as well as with cable operators and digital media providers as outlined in more detail below.

*Second*, the merger will facilitate the streamlining of Sinclair's news gathering infrastructure. This will lower costs, thereby making it feasible for the company to expand and improve local news programming, especially in markets in which Sinclair and Tribune both own stations, just as Sinclair has done in previous acquisitions. As shown in the Applications and the Opposition, Sinclair has a history of investing in stations it acquires and a proven track record of increasing the amount and quality of

the local news broadcast by those stations. For example, Sinclair invested almost \$40MM into the Fisher and Allbritton stations after those acquisitions, including new computers and laptops, live trucks and other news vehicles, camera equipment, video encoders, weather systems, and other news studio and production equipment. Put simply, the economies of scale Sinclair enjoys allow it to make improvements that smaller station group owners cannot afford.<sup>6</sup> In markets where both Sinclair and Tribune own a station and either the Sinclair or Tribune station has no independently produced local newscasts or one that attracts very few viewers, Sinclair would follow the successful approach it has taken in San Antonio and elsewhere by locating the news resources into a shared newsroom and developing distinct newscasts for each station, each targeted at a particular demographic or geographic region.<sup>7</sup> By giving

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<sup>6</sup> For example, after Sinclair acquired WWMT in Grand Rapids, Michigan, from Freedom Communications in 2012, Sinclair installed new LiveU video transmission packs and started airing a new weekend-morning newscast. The station manager told Broadcasting and Cable that he had tried, unsuccessfully, to convince Freedom to make these changes for three years, but Sinclair has been “been very good about giving us a lot of support for news product.” See Michael Malone, *Sinclair’s Spree Dazzles Street, Puzzles Stations*, Broadcasting & Cable (June 3, 2013), <http://www.broadcastingcable.com/news/local-tv/sinclairs-spree-dazzles-street-puzzles-stations/44070>.

<sup>7</sup> Sinclair’s experience in San Antonio illustrates how it is able to harness efficiencies in duopoly markets to increase the quantity and quality of local programming. In July 2012, Sinclair, which owned television station KABB in that market, acquired television station WOAI. Following the acquisition, Sinclair merged the two stations’ news operations to make the largest newsroom in San Antonio and made substantial investments. As a result of the efficiencies created from consolidation, Sinclair was able to add 2.5 hours of local news per week to each station: WOAI added a 12:30 pm to 1:00 pm weekday newscast, and KABB added an 11:30am to noon weekday newscast. While the news operations were consolidated, the news products were differentiated. Sinclair developed unique newscasts using different anchor teams targeted to different demographics. As a result of this differentiation, ratings for both stations improved substantially. According to Nielsen, WOAI’s audience share during the 5:00 am to 7:00 am daypart nearly doubled from 7.0% in July 2012 to 13.0% in November 2015. Its ratings during the 5:00-5:30 pm daypart also improved

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each newscast a distinct brand and focus, Sinclair can avoid having the stations offer duplicative products while offering viewers a wider choice in news programming. Sinclair does not expect this process to reduce the number of employees substantially, but does expect to realize an overall saving in costs.

*Third*, by expanding its nationwide reach, the Transaction will enable Sinclair to cost-effectively produce and purchase higher quality and unique programming that should make its stations in every DMA more competitive with their broadcast, cable and digital rivals. This is described in more detail in our response to Request 6 below.

*Fourth*, by giving Sinclair a larger spectrum footprint, the merger will accelerate the roll-out of ATSC 3.0, the next generation standard for television broadcasting that will enable broadcasters to compete more directly with cable companies and digital providers. This is described in more detail in our response to Request 7 below.

*Fifth*, increasing the number of Sinclair stations will also enhance the ability of Sinclair's nascent non-local advertising network, or "unwired network," to compete with broadcast and cable networks like CNN and ESPN for national advertising, thereby providing more revenue and operating income for its local stations that can be reinvested in more and better DMA-specific programming. This is described in more detail in our response to Request 6 below.

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during this same time period from 7.3% to 11.4%, and during the 6:00-6:30 daypart from 7.1% to 9.5%. WOAI had the last-ranked local newscast before the merger; it now ranks third. KABB also has seen improvement in its ratings during local newscasts, with its 7:00-9:00am daypart improving from 4.6% in July 2012 to 10.7% in November 2015, and its 9:00-10:00pm daypart improving from 6.1% to 7.5%.

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6. **Request:** *Describe in detail, quantify, and provide documents that support and demonstrate the expected impact of the greater audience reach that would result from this Transaction. In particular, demonstrate how the increased audience reach will make Sinclair more attractive to programmers in a manner that would not occur absent approval of this Transaction, including, but not limited to increased ratings on existing stations; any new or enhanced presence by Sinclair in the DMAs where it holds licenses; changed viewer demographics for the company overall and/or its stations in particular; and improved MVPD distribution of Sinclair stations. Describe in detail, and provide documents that support and demonstrate how Sinclair plans to reinvest the additional revenues generated by any predicted greater audience reach and how such reinvestment will improve service to the public.*

A wide geographic footprint is critical for broadcast television to provide high quality general interest and entertainment programming that is competitive with video content available on cable, satellite, and digital providers. The greater reach achieved through the Transaction will enable Sinclair to increase its investments in original programming and in licensing of higher-quality content, which complements the unique local news and DMA-specific programming that Sinclair creates for its individual community audiences.

Economies of scale resulting from this Transaction make specialized programming possible that would otherwise not be financially feasible. While Sinclair has been able to launch some digital networks on its sub-channels with its current station lineup,<sup>8</sup> the increased footprint from the Tribune acquisition would make it cost effective to launch even more. By making additional programming options feasible, the Transaction would allow Sinclair to compete with MVPDs and OTT providers by essentially offering “skinny” bundles of a few channels or a bundle of channels aimed at a particular demographic. Through multicasting, each primary

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<sup>8</sup> Some of those digital networks include Comet, which offers a mix of films and television series; TBD, which focuses on music, animation and comedy; Charge, with a focus on adventure based programming; and Stadium which airs live sports, post-game highlights, news and original long-form sports-related programming.

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channel can support several digital sub-channels and will be able to support even more after the launch of ATSC 3.0. For example, a single station could broadcast a collection of sub-channels aimed at a specific demographics that might feature channels focused on sports, extreme sports, action movies, and comedy. And unlike a cable package, these skinny bundles could be available for free over the air.

The Transaction will also enable Sinclair to cost-effectively produce more original content and to purchase higher quality and unique programming which, when combined with locally-produced community-specific programming, should make its stations in every DMA more competitive with their broadcast, cable and digital rivals and more attractive to MVPDs.

And, because the Transaction will expand Sinclair's congruous stations (*e.g.*, stations like CWs and MyNetworkTVs that have similar programming needs across multiple markets) from about 20% of the country to 53%,<sup>9</sup> Sinclair will be able to reach a critical mass that can significantly reduce the financial risk of producing original content. Congruous stations are more attractive to advertisers seeking national or near-national penetration of their commercials. Also, although Sinclair typically can produce attractive programming for less than the cost of most syndicated programming, such an investment is not profitable with its current congruent nationwide reach of approximately only 20%. By increasing its audience via the Tribune acquisition, Sinclair believes that it will increase the likelihood of being able

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<sup>9</sup> This number represents the non-duplicative coverage of post-Transaction CW and MyNetworkTV affiliates, which have similar programming needs. Without taking into account any divestitures, individually, the post-merger CW affiliates alone would cover 40% of the country, and the MyNetworkTV affiliates would cover 19%.

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to profitably produce new programming choices for viewers that would not otherwise be possible.

Sinclair expects to be able to produce shows of equal or better quality than a substantial portion of the programming it currently purchases from the major syndicators—the same companies for the most part that own the major broadcast networks. Revenue synergies made possible by the Transaction will permit Sinclair to handle many aspects of producing original content – such as finance and distribution – without needing to rely on a large number of partners (and their control over at all phases of the production). This serves to attract big-name producers who can bring their visions and skillsets to Sinclair because Sinclair will be able to greenlight decisions. These conversations are happening with the same companies and talent agents that produce and/or package content for broadcast, cable, and OTT.

Besides bringing new original content to viewers – for free on broadcast television, unlike cable or many OTT services – the Transaction will increase competition for show ideas and related talent (*e.g.*, script writers, producers, technical personnel). By giving Sinclair the exposure necessary to financially justify the risk inherent in original content production, the Transaction will allow Sinclair to compete with the networks and OTT services, which will lead to even more programming options for viewers.

The ability to produce original programming also creates benefits with respect to Sinclair's ability to reduce the cost of licensing syndicated programming. The potential for Sinclair to produce its own programming, instead of buying syndicated content, is an equalizing force that can help lower licensing fees. The Transaction

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will allow Sinclair to either obtain better rates on its licensed programming or produce its own content which would benefit the public by providing new and more diverse programming options.

The larger footprint also makes Sinclair more attractive to programmers and high-quality syndicators. While the biggest factor in such programming rights are guild rules that treat broadcast sales differently from cable network sales, the revenue and cost synergies from the Transaction will enable Sinclair to compete financially for more highly rated shows, possibly allowing such shows to remain on free over-the-air broadcast television, rather than migrating to cable, OTT, or other pay-TV platforms.

Further, expanding Sinclair's reach will also enhance the ability of Sinclair's unwired advertising network to compete with broadcast and cable networks like CNN and ESPN for national advertising (which generally is only available for networks that reach a greater percentage of the country than do either Sinclair or Tribune on their own), thereby providing more revenue and operating income for its local stations, which can be reinvested in more and better DMA-specific programming. In June 2014, Sinclair launched an unwired network,<sup>10</sup> called the Sinclair Audience Network ("SAN"), to compete with broadcast and cable networks for national advertising revenue. National advertising represents 64% of all TV advertising revenue, and is therefore a major potential untapped source for financially challenged local broadcasters. The SAN allows national advertisers to purchase spots across all

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<sup>10</sup> In an "unwired network," an operator aggregates spot advertising time on various television stations across the country and sells that time to national advertisers, thereby competing with national cable providers and broadcast networks.



of Sinclair's stations nationwide. Unlike cable or national broadcast network advertising, the SAN currently can only air ads across approximately 40% of households. The merger would increase the number of households it reaches, thereby making the SAN a much more attractive alternative for national advertisers. This could potentially lower advertising costs, benefiting not only local broadcasters, but consumers as well (by possibly lowering product costs).

7. **Request:** *Describe in detail and provide documents that support and demonstrate specific examples of the types of equipment and service(s) in which Applicants expect to realize the anticipated economies of scale described in the above quoted language regarding ATSC 3.0 and the anticipated savings they expect to achieve that would not be achieved without the propose merger. Describe in detail and provide documents that support and demonstrate an explanation as to why this Transaction "will make implementing ATSC 3.0 more efficient by offering economies of scale in equipment purchasing and installation services."*

The Commission's proposed rule authorizing ATSC 3.0 for consumer use emphasizes that it intends to "facilitate private sector innovation and promote American leadership in the global broadcast industry."<sup>11</sup> The Transaction will help achieve this goal by creating a critical mass of households where the technology is available, thereby encouraging other broadcasters and electronics manufacturers to adopt the technology more quickly.

Commitment to ATSC 3.0 from a broadcaster with coast-to-coast reach will also incentivize manufacturers to develop products incorporating this technology. Consumers will require devices equipped with ATSC 3.0 tuners before they can take advantage of its enhanced features, but when asked by Consumer Reports, several television manufacturers refused to commit to when they would begin offering these

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<sup>11</sup> FCC Proposed Rule, 82 Fed. Reg. 13285, 13297 (Mar. 10, 2017), *available at* <https://www.gpo.gov/fdsys/pkg/FR-2017-03-10/pdf/2017-04713.pdf>.

devices.<sup>12</sup> By enabling Sinclair to begin broadcasting on closer to a national basis in the ATSC 3.0 standard, more manufacturers will be motivated to produce compatible products. Indeed, a recent nationwide survey found that consumers were more willing to purchase and spend more on smart TVs with ATSC 3.0 features than smart TVs without it.<sup>13</sup> This dynamic recently played out in South Korea, whose three major TV networks announced in May 2017 that they would begin broadcasting ATSC 3.0 video in several cities.<sup>14</sup> LG subsequently announced that it would include ATSC 3.0 tuners in all of the 4K televisions sold in South Korea.<sup>15</sup>

BIA Kelsey estimates that the cost of building out the technology infrastructure (estimated to be \$300,000 to \$600,000 per station) will not be financially justifiable for small stations with annual revenues of less than \$2 million.<sup>16</sup> The Transaction will help bring ATSC 3.0 to smaller stations in at least two ways: (1) Sinclair can leverage its economies of scale for the small stations it

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<sup>12</sup> James K. Willcox, *Free Over-the-Air TV Is Going to Get Better*, Consumer Reports (May 19, 2017), <https://www.consumerreports.org/tv-service/free-over-the-air-tv-is-going-to-get-better/>.

<sup>13</sup> Press Release, *Nationwide SmithGeiger Survey Finds Next-Generation ATSC 3.0 Features Increase Consumer Spending on and Accelerate Purchase of Smart TVs*, Verance (May 18, 2017), <https://www.verance.com/nationwide-smithgeiger-survey-finds-next-generation-atsc-3-0-features-increase-consumer-spending-accelerate-purchase-smart-tvs/>.

<sup>14</sup> Robert Silva, *ATSC 3.0 - NextGen TV Broadcasting*, Lifewire (June 7, 2017), <https://www.lifewire.com/atsc-3-0-the-next-step-in-tv-broadcasting-4061759>.

<sup>15</sup> Deborah D. McAdams, *'All' LG 4KTVs Sold in South Korea to Soon Feature ATSC 3.0*, TVTechnology (May 16, 2017), <http://www.tvtechnology.com/atsc3/0031/lg-to-add-atsc-3-0-tuners-to-all-tvs-this-year/281038>.

<sup>16</sup> BIA Kelsey, *The Business Case for ATSC 3.0*, at 12 (Jan. 2017).

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owns to share the costs of infrastructure build-out across all of its stations, and (2) nation-wide implementation of the technology by Sinclair will accelerate its maturation, thereby likely bringing down the equipment costs to a price point affordable by smaller broadcasters.

The Transaction will also ease the transition from the current broadcasting standard, ATSC 1.0, to ATSC 3.0. Because ATSC 3.0 is not backwards compatible, broadcasters will need to engage in temporary channel sharing to simultaneously broadcast content in both the old and new standards during the transition. For example, Post-Transaction, Sinclair's duopoly markets, such as Washington, D.C., will ease the transition to the new standard by allowing one station in each market to simulcast the video feed for both stations in the old standard and the other station in each market to simulcast the video feed for both stations in the new standard. This arrangement will avoid the inherent issues arising under a channel-sharing agreement with another ownership group, including disagreements over the investment necessary for the transition and speed of implementing the new technology.

8. **Request:** *Describe in detail and provide documents that support and demonstrate:*

*a. The capital investments that Sinclair plans to make in the Tribune Stations Post Transaction;*

Based on projections, Sinclair expects its capital expenditures in Tribune stations to be at least {{BEGIN HCI                      END HCI}} per year. The level of capital expenditure will vary at each station from antenna and tower equipment upgrades, studio upgrades, and upgrades to news and production equipment, consistent with other recent station acquisitions Sinclair has made. At this time, Sinclair has no specific plans for capital investments in any particular Tribune station,

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as it has yet to undertake any site surveys at the Tribune stations. When the Transaction closes, Sinclair intends to survey each Tribune station to determine what capital investments are needed and will make a decision on the level of capital investment at each station. As demonstrated in the Applications and the Opposition, Sinclair has demonstrated a strong commitment to capital investment in stations it has acquired in the past.

- b. Any specific plans that Sinclair has made to add local programming, local newscasts, and/or local sports at the Tribune Stations Post-Transaction;*

Sinclair believes the large markets specifically present opportunities for expansion of local newscasts, although it has not yet completed its review of the Tribune markets for purposes of making final programming decisions. Tribune's WPIX station in New York currently runs local news from 5:00am until 9:00am. Sinclair sees an opportunity to expand its newscast to 11:00 am, adding an additional two hours. In Washington, D.C., Sinclair plans to expand Tribune's WDCW's 7:00pm and 10:00pm newscasts to a full hour from their current half hour runs. In St. Louis, Sinclair plans to expand both morning and evening newscasts, by adding a 4:30am, 6:00pm, and 10:00pm newscast. Sinclair has not yet identified opportunities to expand local newscasts in Chicago or Los Angeles, but intends to explore such opportunities and will look to leverage the strength of those markets. Sinclair also sees an opportunity to launch news on its MyNet station, WTVZ-TV, at 10:00pm in the Norfolk market.

Sinclair currently broadcasts *Full Measure*, a weekly Sunday news program focusing on investigative reporting, in 79 Sinclair markets post-Transaction. Sinclair intends to air *Full Measure* across all Tribune stations as well. Similarly, Tribune

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broadcasts *Morning Dose*, a weekday “wake-up” program, in six Tribune markets. Sinclair is considering expanding *Morning Dose* to 25 Sinclair markets. This would add two hours of morning news in many markets which currently air paid programming or syndicated programming during those time slots, such as Milwaukee, Wisconsin, Pittsburgh, Pennsylvania, Buffalo, New York, Albany, New York, West Palm Beach, Florida, Sioux City, Iowa, and Tallahassee, Florida.

Sinclair has grown its commitment to local sports programming as it has acquired stations. Between 2012 and 2016, Sinclair added approximately 6,148 hours of local sports programming, an increase of 373%. Sinclair’s growth has allowed it to increase production efficiencies across markets, and establish new programs such as Thursday Night Lights/Friday Night Rivals. Sinclair spends millions of dollars a year in promotion, production costs, and other commitments, including approximately \$4 million in production costs alone, to broadcast local high school sports through its Thursday Night Lights/Friday Night Rivals programs.

Sinclair has a 5-year plan to expand its Thursday Night Lights/Friday Night Rivals program to Tribune markets. Sinclair has identified 23 Tribune markets as candidates to expand the program by 2022. In 2018, Sinclair will potentially expand to five new markets and 50 games, through an investment of approximately \$720,000. In 2019, Sinclair would potentially expand into five additional new markets and 50 games, through an investment of \$755,000. In 2020, Sinclair has identified five additional markets and 50 games, at the cost of \$798,000. In 2021 and 2022, Sinclair would expand the program to eight additional markets. The total potential investment

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by Sinclair in new markets over five years is  $\{\{\text{BEGIN HCI}$  END  
 $\text{HCI}\}\}$ .

Furthermore, the transaction will allow Sinclair to add live high school sports to markets (or states/counties) where Sinclair has stations but has not yet launched the Thursday Night Lights/Friday Night Rivals program. Sinclair has also identified multiple states that will be able to compete for the rights to broadcast state championship games. These are states (such as California, Pennsylvania and Ohio) where Sinclair currently has stations, but does not cover enough markets within the state to reach enough households and be competitive for the rights to the championship games.

c. *Any specific plans that Sinclair has made to increase coverage of state government and local government at the Tribune Stations Post Transaction;*

Sinclair currently has statehouse reporters in markets where Sinclair stations are located in state capital cities, such as Harrisburg, Pennsylvania, Columbus, Ohio, and Springfield, Illinois. The focus of the statehouse reporters, similar to Sinclair's *Connect to Congress* program, is to connect state level politicians with their constituents in other Sinclair markets in the state. With the Tribune merger, Sinclair will be able to expand this program to constituents in larger markets, such as Philadelphia, Pennsylvania, Cleveland, Ohio and Chicago, Illinois, in addition to Sinclair stations in those states. Additionally, the combination of Tribune's Sacramento, Los Angeles, and San Diego stations with Sinclair's existing stations in Eureka, Chico, and Fresno will allow Sinclair to bring this program to the state of California.

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And, as described in the Applications and Opposition, the Transaction will enable Sinclair to add the Tribune Stations to its *Town Hall Initiative*, thus providing increased coverage of state and local government. Since launching its *Town Halls* in 2012, Sinclair has produced over 400 community town halls bringing together civic leaders, local government, Members of Congress, community activists, and viewers to debate all sides of issues of local importance, such as local elections and state budget issues. Sinclair also plans to make available to the Tribune Stations its Washington D.C. bureau, including *Connect to Congress* which will provide viewers in Tribune markets a direct connection with their elected officials that they do not currently have.

- d. Any specific plans that Sinclair has made to increase or decrease the number of investigative reporters or journalists at the Tribune Stations Post Transaction;*

Sinclair intends to strengthen the presence of investigative reporters and journalists at Tribune stations as it has in other stations it has purchased in the past. For example, in Washington, D.C., Sinclair currently has a team of 11 investigative reporters/journalists at its WJLA station, an increase of seven over the number of such reporters at the station prior to Sinclair's acquisition. In Baltimore, Sinclair recently increased the number of investigative journalists from one to five. Sinclair has also added investigative journalists in markets where there was no investigative journalism presence at all when Sinclair acquired the station, including: Cedar Rapids, Iowa; Cincinnati and Dayton, Ohio; Flint and Kalamazoo, Michigan; Oklahoma City and Tulsa, Oklahoma; Mobile and Birmingham, Alabama; Harrisburg, Pennsylvania; Portland, Maine; and Syracuse, New York. Sinclair would seek similar staffing plans in Tribune markets, which generally do not have an investigative journalism presence.

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- e. *Any specific plans that Sinclair has to increase and improve the amount of digital content on the Tribune Stations Post Transaction.*

Sinclair anticipates bringing on between 60-90 new hires to help develop and improve Tribune's online presence, which will again be output enhancing. As mentioned above, Sinclair's increased spectrum footprint will also allow it to offer more and varied programming on its digital sub-channels, thereby acting as a "virtual MVPD." These sub-channels allow broadcasters to air more specialized, niche programming, which increases output by giving viewers additional choices. For example, certain Sinclair stations broadcast its "Stadium Sports Network," which provides exclusive live games and events, highlights, classic games, daily live studio programming, and other original programming for free, and its digital channel named "TBD," which is targeted to a millennial audience with a content focus on short films, fashion, comedy, lifestyle, eSports, music and viral content.<sup>17</sup> Sinclair's sub-channel networks are described in greater detail in the response to Request 6 above.

9. **Request:** *Describe in detail and provide documents that support and demonstrate how the Transaction would offer greater value to MVPDs.*

As described above, Sinclair will be able to invest more money into its programming, to improve its multicasts, and to better target its programming to local markets, thereby providing greater value to MVPDs and their subscribers. Economies of scale make specialized programming possible that would otherwise not be financially feasible. The increased footprint from the Transaction would make it more cost effective for Sinclair to launch more digital networks which are generally provided to MVPDs and their subscribers completely for free. And, as noted above,

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<sup>17</sup> Lorraine Mirabella, *Sinclair launches first-of-kind TV network featuring digital content*, Baltimore Sun (Dec. 8, 2016), <http://www.baltimoresun.com/business/bs-bz-sinclair-launches-tbc-tv-network-20161207-story.html>.



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the expanded footprint would enable Sinclair to produce more and better original content for its stations. The Transaction will also likely reduce MVPD's negotiating costs.

- 10. Request:** *Provide a complete list and copies of all Sharing Agreements or Options to which either Sinclair or Tribune is a party in the DMAs in which the Tribune Stations are located. In each case, specify the type of agreement (e.g., local marketing agreement, shared services agreement, etc.) and the Broadcast Licensee(s) that is(are) also a party to the Sharing Agreement or Option. In each case, include the term of the Agreement, its expiration date, and the terms for renewal.*

A list and copies of such agreements are attached at Exhibit 6.

Respectfully submitted,

/s/ Miles S. Mason

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Attachment A

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